

SHIPPING REVIEW



INTRODUCTION

Located on the Iberian Peninsula and with 4,964 km coastline, Spain has a long maritime tradition, providing operators with access to both Mediterranean and North Atlantic shipping routes. Shipping plays an important role in connecting Spain with the rest of Europe, particularly due to the natural land barrier created by the Pyrenees. Major ports include Algeciras and Cadiz in the South, Barcelona and Valencia in the East, and Bilbao and Vigo serving Atlantic routes in the North of the country. Spain is an open industrial economy and is among Ireland's top 10 trading partners. The Iberian Peninsula is an important market for Ireland particularly in terms of consumer goods, medical and pharmaceutical products, and medical devices. Spain is the seventh largest market for pharmaceuticals and is the eighth largest manufacturer of medical devices in Europe. Spain is considered to have one of the most advanced telecommunications markets in the world and one of the largest financial services sectors in Europe. There are a number of Shortsea services between Ireland and Spain which provide a viable alternative to using the UK landbridge.

TRAFFIC

Shortsea Links

The frequency of traffic between Ireland and Spain has decreased significantly over the past year, reduced from 9 weekly and 5 ten day services, to just 2 weekly and 3 ten day services.

MSC have completely withdrawn their direct services to Vigo, Cadiz and Valencia from Dublin. However they do operate a feeder service to Antwerp which connects with container service to the Mediterranean calling at the Spanish ports of Vigo, Cadiz and Valencia. Iberian shipping specialists MacAndrews, a subsidiary of CMA CGM, cancelled its twice-weekly service Dublin- Liverpool - Bilbao - Greenock - Bristol and reduced its Dublin - Liverpool - Bilbao service to once a week. MacAndrews began a new reefer service in 2007 designed to provide a cost-competitive alternative to the road-only refrigerated truck sector. The service provides a rail link from Valencia to Bilbao connecting with their Shortsea services to the UK and Ireland. Grace Church (Jenkinson Agencies) operates 3 separate services (reduced from 5) between Dublin and the port of Castellon on Spain's Mediterranean coast. The service is once every 10 days with a total capacity of 2,762

TEU. DFDS Suradiz Line offers a weekly service connecting Ireland, UK and Spain with a capacity of 750 TEU.

Traffic Growth

The port of Bilbao is Spain's 4th busiest port. Goods traffic at the Port of Bilbao amounted to 39.3 million tonnes in 2008, a slight dip of 1.5% on 2007 volumes of just over 40 million tonnes. The economic downturn in 2008, however, did not affect container traffic or liquid bulk which grew 4% and 2% respectively. The most successful commodities were chemical goods up 35%, boosted by activity from a modern sodium sulphate exporting plant on port lands, natural gas up 27% due to the increase in traffic from the Bahía Bizkaia Gas plant, and soy beans up 20% due to full capacity performance at the Bunge plant in the Port's industrial zone.

The Port's box trade declined in 2009 with TEU throughput for January - July 2009 of 207,511 TEU compared with 276,751 TEU for the same period in 2008 (a decrease of 25%)¹ with intra-EU volumes accounting for 57% of containerised throughput.

Last year Bilbao invested €61.2m in new infrastructure, the largest sum in its history. 2009's investment of €54.4m is for two new deepwater quays in Zierbena, one for general and ro-ro cargo, the other for solid bulk cargoes. The port decided to reduce port vessel, goods and passage charges by 3.1% for 2009, and payment of occupation rates has been delayed².

Port of Castellon recorded an increase in the number of goods handled by 3.4%, rising from 13 million tonnes in 2007 to 13.5 mt in 2008. General cargo declined by 4% meanwhile liquid bulk increased significantly from 114,566 tonnes to 172,791 tonnes, or 51%. Containers fell by 13% with 101,929 TEU handled in 2007 compared to 88,208 TEU in 2008³.

Elsewhere, Valencia Port is Spain's second busiest port and number one box hub. Valencia is a dominant player when it comes to the Spanish container traffic and is ranked as the 37th largest port in the world. The port handled 3.6m TEU in 2008, an 18.4% increase on 2007. The port handled 1.8m TEU in the first five months of this year, up 4.7% over the same period in 2008⁴. The port is investing heavily to expand container infrastructure in order to capitalise on its impressive growth. The port will receive €74m from the European Union Cohesion Fund towards its €900m North Extension project; a port

Operator	Capacity (TEU)	Route	Approx.Freq.per week
Grace Church (Jenkinson Agencies)	962	Dublin - Liverpool - Leixoes - Castellon - Salerno - Piraeus - Limassol - Alexandria - Beirut - Ashdod - Haifa - Mersin	1/10 days
Grace Church (Jenkinson Agencies)	900	Dublin - Liverpool - Leixoes - Castellon - Piraeus - Limassol - Alex - Beirut - Ashdod - Haifa - Mersin - Salerno	1/10days
Grace Church (Jenkinson Agencies)	900	Dublin - Liverpool - Leixoes - Castellon - Piraeus - Limassol - Alex - Beirut - Ashdod - Haifa - Mersin - Salerno - Cardiff	1/10days
Mac Andrews	535	Dublin - Liverpool - Bilbao	1
DFDS Suradiz Line	750	Avonmouth - Dublin - Greenock - Bilbao	1
Total	4,047		2

¹ www.bilbaoport.es/aPBWeb/es/puerto/estadisticas/acumulado.asp

² www.bilbaoport.es/aPBWeb/en/currentaffairs

³ <http://www.portcastello.com>

⁴ www.lloydlist.com (Roger Hailey - Wednesday 29 July 2009)

expansion plan that will double container capacity. The North Extension will increase the port's surface area by 1.5 sq m and double its capacity for handling containers.

Total traffic handled in the Port of Vigo in 2008 was 5m tonnes, a decrease of 8% on the previous year. Liquid bulk (fuel products, caustic soda and oils) decreased by 29%. Solid bulk totaled 458,180 tonnes and was down 27% on the previous year.

Exports account for 76% of traffic through the port, with the most important commercial contacts with France, Great Britain, Belgium, Germany and South Africa. The PSA Peugeot-Citroën Group is still the main client of the Port with 70% of the vehicle traffic⁵. The port has frozen its charges to ease the financial burden on its clients. The Port of Vigo is to make a record investment in infrastructure this year and will plough €40m into new works, including €15m on the expansion of docks handling general and containerised cargoes, and €14m on the final phase of an intermodal logistics platform.

PORT FACILITIES

The port of Bilbao is situated on the Eastern side of the Bay of Biscay and is connected to the European motorway and rail network. There are over 200 maritime services linking Bilbao with 500 ports around the world. The port has 17km of docks and 252 ha of warehousing space. With a depth of up to 32m, the port can accommodate ships of all sizes. Bilbao handles mainly liquid bulk but has facilities to handle all types of cargo. The port is divided into four terminal areas; the "Industrial Zone" caters primarily for liquid bulk and has a storage area of 684m, the "Santurzi-Zierbena" terminal area handles containers, motor vehicles and machinery, and has a railway container terminal and marshalling area. "Santurzi-Getxo" contains a ferry terminal and also handles general cargo such as paper, building materials and iron and steel. The "Deusto" terminal area also handles general goods.

This year the Port will make an investment of €54.4 million, on the construction of two new docks as part of the third phase of the port extension in the Outer Abra⁶.

In response to increased traffic, Bilbao has been instigating expansion projects since 1992. In 2007 work was completed on a new commercial dock and on a new Border Inspection Post. Investment in new infrastructure is expected to reach €68.8 million in 2008. The Serantes Tunnel is scheduled to be completed by the end of 2008, which will provide access to the neighboring mining region and will prevent the confluence with passenger trains that occurs on the existing route.

The Port of Castellon has three berths dedicated to ro/ro traffic, as well as two terminals specialized in liquid bulk transport. Cold storage facilities also exist for the port's citrus fruit traffic.

Valencia port can handle all types of traffic, including passenger traffic. The port has over 12,000m of docks, including 1,820m of container terminal space and 577m of ro/ro terminal space. The port is well connected by road and rail to Madrid and the major production centres of the Iberian Peninsula.

TRADE

Spain has a population of 40.5 million and a per capita GDP of \$34,600 (2008 EST.). Between 1994 and 2007 the Spanish economy enjoyed consistent growth rates above the European average, reaching 3.8% in 2007. However, GDP growth fell to 1.1% in 2008 due to the burst of the housing bubble and the consequential slow down in construction, further exacerbated by the global economic downturn.⁷

Spain is the fifth largest European market for indigenous Irish exports with overall trade between Ireland and Spain worth over €3.5 billion in 2008. 2008 saw a return to strong Irish export growth rates to Spain with figures recovering from less than 1% growth in 2007 to 9% in 2008. In 2005 trade between Ireland and Spain peaked at 24%, however, since then trade growth has slowed, with a 4% increase in 2008. Although exports grew in 2008, imports fell by 11.21% compared to 2007.

In 2008 the main commodities exported to Spain were organic chemicals, which were worth €873 million and accounted for 24% of total exports to Spain by value, followed by medical and pharmaceutical products (€652 million) and essential oils (€503 million). Medical and pharmaceutical product exports grew by more than 10% between 2006 and 2007 and continued to increase into 2008. Spain is the seventh largest market for pharmaceuticals and the use of Irish-manufactured generics is on the rise.⁸ Spain is also an important destination for metalliferous ores & metal scrap, which grew by over 20% in 2007 and remained relatively steady in 2008. With 240,130 tonnes exported in 2008, metalliferous ores and metal scrap was the largest export by volume and made up a considerable 60% of the total volume of goods exported from Ireland to Spain.

The main import commodity from Spain is road vehicles. They form 27% of the total value of imports, are worth €251 million and rank as the 6th highest import in terms of volume. The Spanish citrus fruit industry is another important sector. Imports of fruit and vegetables rank second by value, are worth €78 million and make up 8% of total value of imports. In volume terms, non-metallic mineral manufactures was the largest commodity imported, comprising 35% of the total volume of imports. Crude fertilizers and other fertilizers were second and third in terms of the volume of imports.

BUSINESS LINKS

Spain is among Ireland's top 10 export markets and therefore is an area of opportunity for Irish businesses. The Spanish government is continually striving for a liberalized market which will drive deregulation of production markets. The Iberian Peninsula has a combined population of 50 million people - a significant target market for Irish consumer products. In 2003, a market awareness campaign was undertaken in the market, which has increased awareness of Ireland as a source of quality products, with the main opportunities in the giftware and fashion areas. In the pharmaceutical sector Spain is the seventh largest pharmaceuticals market.

Ireland and Spain have had a double taxation agreement since the 1970's. This is very important particularly in the telecom and financial sectors. Spain is the most advanced country in terms of telecommunications and has 2 of the biggest European banks, serving as an opportunity for Irish companies to develop and sell their banking software.

Agency Details:

Embassy of Ireland in Spain
www.irlanda.es/home/index.aspx?id=33978

Enterprise Ireland
www.enterprise-ireland.com

Industrial Development Agency (IDA)
www.idaireland.ie/

Ireland Spain Economic Association (ISEA)
www.isea.ie

Shortsea Promotion Centre, Spain
www.shortsea.es

⁵ www.capvigo.es

⁶ <http://www.bilbaoport.es>

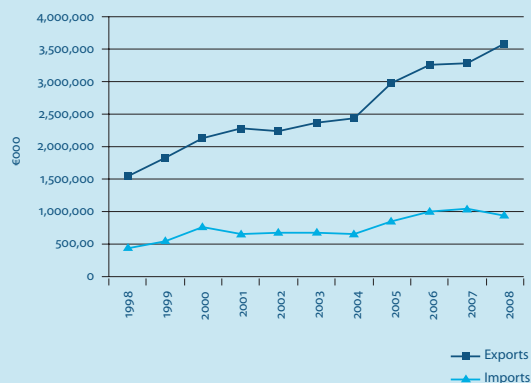
⁷ CIA World Factbook, available at: <https://www.cia.gov/library/publications/the-world-factbook/geos/SP.html> (accessed 08/07/09)

⁸ Enterprise Ireland, available at: <http://www.enterprise-ireland.com/Contact/Overseas+Offices/Areas+of+Opportunity+in+Spain+and+Portugal.htm> (accessed 13/07/09)

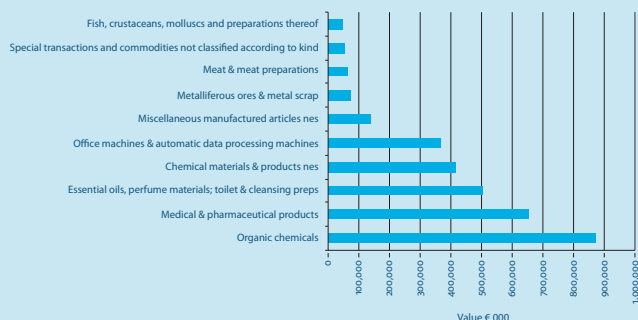
Total Value of Trade Between Ireland and Spain

Year	Exports value (€000)	% Change	Imports value (€000)	% Change
1998	1,537,029		439,916	
1999	1,830,603	19.10%	541,244	23.03%
2000	2,123,758	16.01%	757,749	40.00%
2001	2,283,330	7.51%	645,909	-14.76%
2002	2,239,672	-1.91%	676,885	4.80%
2003	2,359,646	5.36%	666,481	-1.54%
2004	2,431,714	3.05%	657,749	-1.31%
2005	2,979,831	22.54%	845,056	28.48%
2006	3,260,642	9.42%	990,268	17.18%
2007	3,280,781	0.62%	1,047,743	5.80%
2008	3,586,802	9.33%	930,264	-11.21%

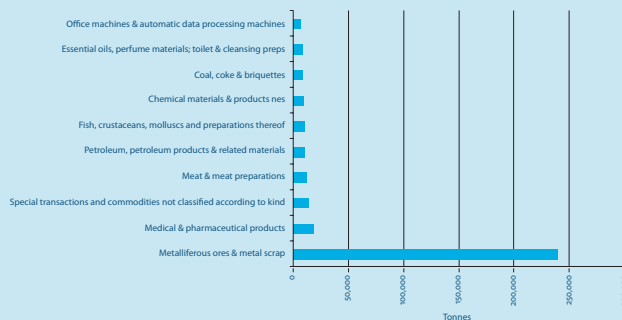
Value of Trade Between Ireland and Spain 1998-2008



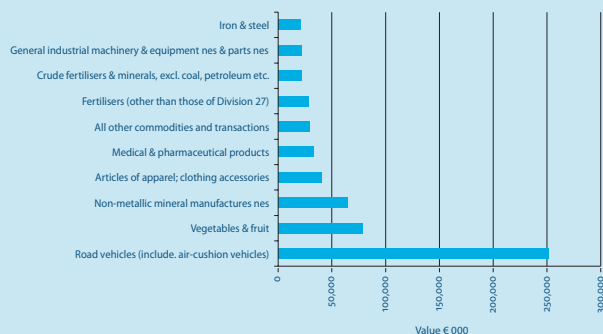
Value of Commodities Exported to Spain 2008



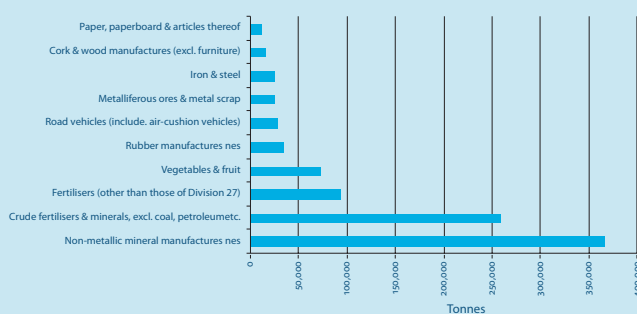
Volume of Commodities Exported to Spain 2008



Value of Commodities Imported from Spain 2008



Volume of Commodities Imported from Spain 2008



Source: CSO